Administrative Capability

To be certified to participate in the SFA programs, a school must demonstrate that it is administratively capable of providing the education it promises and of properly managing the SFA programs. This chapter discusses the requirements a school must meet to demonstrate its administrative capability.

REQUIRED ELECTRONIC PROCESSES

To be considered administratively capable of participating in an SFA program, a school must participate in all electronic processes that are required by the Department, if the processes are provided at no substantial charge to the school. To comply with this requirement, a school may use software provided by the Department or software developed by the school or its vendor in accordance with specifications provided by the Department. Alternatively, a school may meet this requirement by the use of a third-party servicer. For more information on third-party servicers, see chapter 2.

Administrative Capability Cites
34 CFR 668.16

Electronic Processes Cite
34 CFR 668.16 (o)

The Higher Education Amendments of 1998, Public Law 105-244 (the Amendments of 1998), require the Department to notify, as practicable, schools, guaranty agencies, lenders, interested software providers, and, upon request, other interested parties, of software and hardware requirements by December 1 prior to the beginning of an award year.

The Technical Specifications Table on the next page contains information on the current and future minimum configurations required for participating in the Department's electronic processes. Current hardware and software requirements are listed on the left. Beginning January 1, 2002, for the 2002-2003 processing year, our electronic processes will require participating schools to meet the hardware and software requirements that appear in the right-hand column. When reviewing these updated specifications, you should be aware that your system capacity requirements (processor speed, RAM, hard drive storage, etc.) will be affected by specific factors at your school, including which SFA functions your school uses, the number of records processed, and school database interfaces. For additional information on the Department's current technical requirements, see DC GEN-00-20, November 2000.

Technical Specifications

	Minimum Configuration Reuired by January 1 2002	Current Minumum Configuration (Depending Upon Volume and Usage)
Equipment	IBM or fully IBM-compatible PC 800 MHZ processor or comparable 128 MB RAM 20 GB hard disk space 56K modem (that meets or is upgradable to V.90 standard) 3.5"/1.44 MB diskette drive SVGA Monitor with 800X600 resolution Windows 95 keyboard Laser printer capable of printing on standard paper (8 1/2" x 11") 24x CD-ROM Drive with sound board	IBM or fully IBM-compatible PC 200 MHZ Pentium processor or comparable 64 MB RAM 4.0 GB SCSI hard drive 56K analog modem 3.5"/1.44 MB diskette drive SVGA monitor Windows 95 keyboard Laser printer capable of printing on standard paper (8 1/2" x 11") 12x CD-ROM drive with sound board
Software[1]	32 bit operating system (Windows 98, Windows NT 4.0, or Windows 2000) Internet service provider that supports 56K modem Netscape Navigator 4.73 or Internet Explorer4.01 (service pack2) Web browser	32 bit operating system (Windows 95 or Windows NT 4.x) Internet service provider (ISP) Netscape Navigator 3.0 or 3.01 (domestic) or Web browser
Phone Line	Dedicated phone line	Dedicated phone line
Diskettes	3.5" high density double-sided diskettes	3.5" high density double-sided diskettes

[1]Supported networks: Windows NT and Novell Netware

Access to the "Information for Financial Aid Professionals" Web site

Schools no longer automatically receive information from the Department through the mail, including most Dear Colleague/Partner letters, announcements, Federal Registers, etc. Instead, schools must have the capability to retrieve such documents from the Department's Information for Financial Aid Professionals Web Site (IFAP). You can find the IFAP Web Site at:

http://ifap.ed.gov/

A school also can sign up to receive via e-mail, a summary of postings to IFAP.

A school that uses a third-party servicer to meet this requirement needs to ensure that it is kept informed by its third-party servicer of all information posted by the Department on the IFAP Web site.

A school may enroll in the Department's *fax broadcast* service to receive automatically by facsimile high-priority messages from the Department. This service will be used for messages that need immediate attention. These messages will be posted on the IFAP Web site also. To enroll, a school may call 1-800-4FEDAID.

In order for a school to meet this requirement, as well as have the capability to submit recertification documents over the Internet, as discussed below, it must have Internet access through an Internet Service Provider, and have a World Wide Web browser, i.e., Netscape Navigator or Microsoft Internet Explorer. Those interested in downloading a copy of the Netscape Navigator software can find it at

http://home.netscape.com.

The web address to download the Microsoft Internet Explorer software is

http://www.microsoft.com/windows/ie/download/

Schools must have the capability to print *Federal Registers* or other complex documents provided in portable document format (PDF). The software for viewing and printing PDF files can be downloaded onto a school's PC hard drive for free from the Adobe Systems Web site at

http://www.adobe.com/prodindex/acrobat/readstep.html.

Of course, a school may use other software to print these documents.

Submission of the Application to Participate (Recertification) through the Internet:

Applications for recertification, reinstatement, or changes in school ownership or structure must be submitted to the Department electronically through the Internet. The Department no longer provides diskettes to schools for submission of the *Application for Approval to Participate in Federal Student Financial Aid Programs.* However, a signature page is required and it must be mailed separately along with all required supporting documentation. Schools need to have access to the World Wide Web using a forms capable Web browser such as Netscape Navigator or Microsoft Internet Explorer. The web address to access the electronic application form is:

http://www.eligcert.ed.gov/

Schools must send electronic updates to their application data through the Internet. When a school accesses its application, it will be populated with data from the last recertification. The school changes the necessary data items, and transmits it to the Department review and acceptance. The application allows for changes in telephone numbers, fax numbers, names on the application, locations, vocational programs, etc For more information on applying for participation in the SFA programs or updating application data, see chapter 10.

Submission of the FISAP through TIV WAN

In the past, a school could submit its Fiscal Operations Report and Application to Participate (FISAP) to the Department either through an electronic submission or by sending computer diskettes or magnetic tapes. Now, a school is required to submit its FISAP through the Student Aid Internet Gateway (SAIG).

January 1, 1999 requirements

Windows 95, Windows NT or higher

Since the 1999-2000 award year, schools have been required to process Department data using either Windows 95, Windows NT, or a newer version of the Windows operating system. The Department no longer supports the disk operating system (DOS) and earlier versions of Windows.

Submission of Federal Pell Grant payment data

Since July 1, 1999, schools have been required to use the Recipient Financial Management System (RFMS). RFMS replaced the existing Pell Grant Recipient Financial Management System (PGRFMS) used to report and request Federal Pell Grant student payment information.

For more information, see the Announcement Letter published July 1998 (ANN-98-8) and Action Letter #2, published in September 1998
(P-98-4).

Submission of SSCR data and Federal Perkins Loan data to the NSLDS

Schools are required to report Student Status Confirmation Report (SSCR) data electronically or by magnetic tape. The Department no longer accepts diskette submissions.

Submission of Federal Perkins Loan data to the NSLDS

Since July 1, 1999, schools have been required to report Federal Perkins Loan data electronically or by magnetic tape. The Department no longer accepts diskette submissions of Federal Perkins Loan data.

COORDINATING OFFICIAL

Capable Individual Defined
An individual is "capable" if he or she is certified by the state in which the school is located, if state certification is required. Other factors affecting capability include the individual's successful completion of SFA Program training provided or approved by the Department, and previous experience and documented success in SFA program administration.

Another standard of administrative capability requires a participating school to designate a capable individual to administer the SFA programs and to coordinate aid from these programs with all other aid received by students attending the school. To properly package and most effectively use the various types of student assistance (federal, school, state, private, etc.), the coordinating official must be aware of all aid received by students attending the school, regardless of the source. When creating a student's financial aid package, in order to ensure that a student's aid does not exceed

his or her need, an aid administrator must include aid the student is receiving from external sources as well as institutional aid and SFA program assistance. Therefore, a school's operations must be administered in a way that ensures all the information the school receives that might affect a student's SFA eligibility is communicated to the coordinating official and through that official to the financial aid office.

Clarification

CONSISTENCY OF INFORMATION

The school must have a system of identifying and resolving discrepancies in the SFA-related information received by various school offices. Such a system must include a review of all financial aid and need analysis documents, federal and state income tax forms, and documents relating to admissions, citizenship, and previous educational experience. For instance, if a student receives veterans benefits through one school office, that office must notify the aid administrator of these benefits to ensure that the amounts are correctly reported on the student's aid application and are counted as a resource for the campus-based programs and estimated financial assistance for the Direct Loan and FFEL programs. As another example, the school's admissions or registrar's office must provide the financial aid office with any information that it has affecting a student's eligibility—the student's enrollment in an ineligible program, for instance, or past educational experience.

OIG REFERRALS

If the school finds that a student may have engaged in fraud or other criminal misconduct in applying for SFA program funds, it must refer this information to the Department's Office of Inspector General (OIG). In turn, the OIG will notify other officials as appropriate. (Please note that this requirement does not preclude the school from notifying other law enforcement agencies as necessary.) Some examples of fraudulent information include the use of false identities, forgery of signatures or certifications, and false claims of income, citizenship, or independent student status.

COUNSELING

The school must provide adequate financial aid counseling to all enrolled and prospective students and their families. Counseling must include, at a minimum, information about the source and amount of each type of aid offered, the method by which aid is determined and disbursed or applied to a student's account, and the rights and responsibilities of the student associated with the student's enrollment and receipt of financial aid. This information should include a description of the school's refund policy, the requirements for the treatment of SFA program funds when a student ceases enrollment, the school's satisfactory progress standards, and any other conditions or factors that may affect the student's aid package. The school must also provide entrance and exit counseling for student borrowers in the

Perkins, FFEL, and Direct Loan programs. For a complete discussion of loan counseling requirements, see the *Volume 4 — Campus-Based and Common Provisions, Volume 5 — Perkins Loans, Volume 8 — Direct Loan and FFEL Programs*, and the Direct Loan entrance and exit counseling guides.

ADEQUATE STAFFING

To manage a school's aid programs effectively, the aid administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel. An *adequate* staff depends on the number of students aided, the number and types of programs in which the school participates, the number of applicants evaluated and processed, the amount of funds administered, and the type of financial aid delivery system the school uses. What may be adequate at one school may be completely insufficient at another. The Department will determine, on a case-by-case basis, whether a school has an adequate number of qualified persons, based on program reviews, audits, and information provided on the school's application for approval to participate in the SFA programs.

SYSTEM OF CHECKS AND BALANCES

Family Defined
A member of an individual's family is a parent, sibling, spouse, child, spouse's parent or sibling, or sibling's or child's spouse.

Definition of Control Cite
CFR 34 600.30(b)

Ownership Interest Cite
34 CFR 668.15(f)

In addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the SFA programs include an adequate system of internal checks and balances. This system, at a minimum, must separate the functions of authorizing payment and disbursing or delivering funds so that no one person or office exercises both functions for any student receiving SFA funds. Small schools are not exempt from this requirement even though they may have limited staff. Individuals working in either authorization or disbursement may perform other functions as well, but not both authorization and disbursement. These two functions must be performed by individuals who are not members of the same family and who do not together exercise substantial control over the school. If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affect both authorization and disbursement.

SATISFACTORY ACADEMIC PROGRESS

SAP Cite
34 CFR 668.16(e)

Two requirements for institutional eligibility are directly related to student eligibility: satisfactory academic progress and financial aid history. An eligible school must have a policy and a procedure for measuring the academic progress of its students. A school must have a satisfactory academic progress policy (SAP) that is:

1. for a Title IV recipient, the same as or more strict than the institution's standards for a student enrolled in the same

educational program who is not receiving assistance under a SFA program; and

2. includes the following elements

    • a qualitative component measurable against a norm;

    • a quantitative component that consists of a maximum timeframe in which a student must complete his or her educational program; (For an undergraduate program, the timeframe must be no longer than 150 percent of the published length of the educational program.)

      Note: The 150 percent maximum timeframe does not apply to graduate programs. However, an eligible school offering graduate programs must develop, disseminate, and consistently apply a policy defining the maximum timeframe graduate students have to complete their programs.

    • specific policies defining the effect of incomplete course grades, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress;

    • rules for both undergraduate and graduate students who change majors, as well as for students who seek to earn additional degrees;

    • measurement in increments not to exceed the lesser of one academic year or one-half the published length of the educational program;

    • a schedule established by the school designating the minimum amount of work that a student must complete at the end of each increment;

    • provisions for a determining at the end of each increment whether the student has met the qualitative and quantitative components of the standards or exceeded the maximum timeframe;

    • provisions for consistent application of the standards to all students within categories, e.g., full-time, part-time, undergraduate, and graduate students, and educational programs established by the institution;

    • specific procedures through which a student may appeal a determination that the student is not making satisfactory progress; and

    • specific procedures for a student to reestablish that he or she is maintaining satisfactory progress.

Clarification

Note: A thorough discussion of applying a satisfactory academic progress policy to a student's academic history can be found in *Volume 1 — Student Eligibility.*

Academic Amnesty/Renewal

Some schools have Academic Amnesty/Renewal procedures through which a student can apply to have grades earned in previous semesters excluded from the calculation of the student's grade-point average. The SFA program regulations make no provision for the concept of academic amnesty or academic renewal. Though in its academic policies a school may choose to disregard courses previously attempted by a student, the school must include those courses in evaluating a student's satisfactory academic progress (SAP). However, a school may consider the circumstances a student documents in support of the student's request for amnesty/renewal as mitigating circumstances in an SAP appeal.

FINANCIAL AID HISTORY

Financial Aid History Cite
34 CFR 668.19

New

A school must consider a student's financial aid history in making SFA program awards. Previously, a school was required to either obtain a paper financial aid transcript (FAT) or verify eligibility through NSLDS for all students who previously had attended a postsecondary institution. Effective July 1, 2001 new regulations eliminate the requirement that schools obtain a paper FAT. The regulations now mandate the use of NSLDS data for purposes of obtaining financial aid history information.

The regulations make a distinction between two types of transfer students. For a prior-year transfer, an institution may continue to rely on the ISIR financial aid history information it receives for that student. For a current-year transfer student, under the new regulations, instead of requesting a paper FAT from the former institution, the new institution requests updated student eligibility information from NSLDS.

The new regulations also replace the various certification, origination, and disbursement provisions in the former rules with only one requirement: an institution may not make a disbursement of SFA program funds to a current-year transfer student for seven days after it requests updated information from NSLDS. An institution may make a disbursement earlier to a student who is otherwise eligible if, within the seven-day period, NSLDS provides the updated information to the institution, or the institution obtains the information itself directly from NSLDS.

The new regulations eliminate the requirement that an institution that receives a request for the completion of a paper FAT, must respond to that request. **However, through July 1, 2001 in all cases where an institution or student requests a paper FAT, the former institution must complete and promptly return the FAT.**

DEFAULT RATES

A school is **not** administratively capable when

- the cohort default rate for Perkins Loans made to students for attendance at the school exceeds 15% (see *Volume 5 — Perkins Loans* for details), or

- the cohort default rate for Stafford/SLS loans or for Direct Loans made to students for attendance at the school equals or exceeds 25% for one or more of the three most recent fiscal years (see *Volume 8 — Direct Loan and FFEL Programs* for details).

If a school is not administratively capable solely because of a high default rate, the Department may provisionally certify the school.

In addition to affecting a school's administrative capability and limiting the school's participation in the SFA programs, a high default rate may make a school ineligible to participate in the FFEL, Direct Loan, Federal Pell Grant, or Perkins program or cause the Department to limit, suspend, or terminate a school's participation in the SFA programs. For detailed information on default requirements refer to the Cohort Default Rate Guide that the Department provides to schools.

Default management plan

In the past, a school with a Stafford/SLS default rate of specified percentages was required to implement some or all of the default reduction measures listed that were listed in 34 CFR Part 668, Appendix D of the General Provision regulations. Final regulations published December 1, 1995, removed these requirements beginning with the 1996-97 award year. However, new schools are still required to develop a default management plan prior to certification. In addition, a school that undergoes a change in ownership that results in a change in control or a school that changes its status as a main campus, branch campus, or additional location must also develop a default management plan.

Note: Appendix D has recently been removed. Though the Department had not established new guidelines for default management plans at the time this volume was being prepared, the Department expects those guidelines in the near future.

The Amendments of 1998 provide that a school is exempt from submitting a default management plan if (a) the parent institution and the subordinate institution both have a cohort default rate of 10% or less and (b) the new owner of the parent or subordinate institution does not own, and has not owned, any other school with a cohort default rate over 10%.

This provision applies to schools participating in the FFEL or Direct Loan programs on or after October 7, 1998.

The Amendments also make several changes to default rate requirements for the Perkins Loan program. See *Volume 5 — Perkins Loans* for more information.

WITHDRAWAL RATES

New schools (schools that seek to participate in an SFA program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% for an award year in order to be considered administratively capable.

When calculating the withdrawal rate, all regular, enrolled students must be included. The definition of *enrolled* does not require either payment of tuition or class attendance; therefore, the withdrawal rate calculation must include enrolled students who have not yet paid tuition or who did not actually begin attending classes. A student is considered to have withdrawn if he or she officially withdraws, unofficially drops out, or is expelled from the school or receives a refund of 100% of his or her tuition and fees. A student who withdraws from one or more courses or programs but does not withdraw entirely from the school, does not meet the definition of *withdrawn*. Instead, this action is considered a change in enrollment status (e.g.., the student reduced his credit hours from 12 to 6).

DEBARMENT AND SUSPENSION CERTIFICATION

Debarment of school or its principals

Debarment and suspension requirements are also part of the administrative capability standards. Debarment and suspension actions are imposed against individuals who the government determines constitute a current risk to federal agencies. The Department considers debarment and suspension actions by other agencies equivalent to those imposed by the Department if they have been imposed under procedures that provide due process protections equivalent to those afforded by the Department.

Before a school may receive Pell Grant or campus-based funding, a school must certify that neither the school nor its employees have been debarred or suspended by a federal agency. This certification is on the PPA and, for schools participating in the campus-based programs, is included on ED Form 80-0013 that is a part of the FISAP package mailed to schools each summer.

If the school or its principals have been suspended, debarred, or proposed for debarment by one federal agency, the school is no longer eligible to participate in any SFA program. The principals of the school include the owners, directors, officers, partners, employees, or any other person with primary management or supervisory responsibilities. A principal may also be someone who is not employed by the school but who has critical influence on or substantive influence over a covered transaction (such as the receipt of Pell Grant or campus-based funds).

Enrolled

A student enrolls when he or she completes the registration requirements (except payment of tuition and fees) at the school. Correspondence students are enrolled if they have been admitted to the program and have submitted one lesson (that was completed without the assistance of a school representative).

If a school discovers that a person employed in a primary management or supervisory capacity has been suspended, or debarred by a federal agency, the school must remove that person from such a position or risk losing its SFA eligibility.

Similar debarment and suspension procedures apply to debarments and suspensions of lenders, third-party servicers or loan servicers under the FFEL programs.

Checking prospective employees or contractors

To protect itself, a school might ask prospective employees and contractors, either in person or on a written application, about their debarment or suspension histories . A school may also call the Department to find out if an individual or organization is on the Nonprocurement List. The debarment or suspension of a person who is not a principal of the school and who does not work in the financial aid office will not affect the school's SFA eligibility, so long as that person is not involved in any covered transactions. The regulations list the particular transactions from which a debarred or suspended entity is excluded under the SFA programs.

Lower-tier covered transactions

A school must not enter into lower-tier covered transactions with a debarred or suspended individual or organization. A lower-tier covered transaction is any transaction between a participant in a covered transaction (such as the school) and another individual or organization, if that transaction stems from a covered transaction. Examples of common lower-tier covered transactions are a school's contracts with a financial aid consultant service or with a loan collection or billing agency. A school must obtain a certification from any lower-tier organization if the amount of the lower-tier transaction is $25,000 or more. (The required certification clause is given on page 25 of Dear Colleague letter GEN-89-21.) The lower-tier organization must inform the school in writing if the organization or its principals are debarred or suspended. Therefore, the certification does not need to be renewed from year to year.